

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D. C. 20268-0001

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POSTAL RATE COMMISSION
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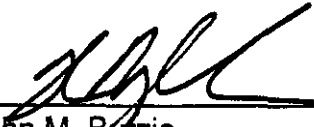
POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

INTERROGATORIES OF ADVO, INC. TO VAL-PAK
WITNESS HALDI (ADVO/VP-T1-1-9)

Pursuant to sections 25 and 26 of the Rules of Practice, Advo, Inc. (Advo)
directs the following interrogatories to Val-Pak witness Haldi.


Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have on this date served the foregoing document upon all
participants of record in this proceeding in accordance with section 12 of the Rules of
Practice.



Thomas W. McLaughlin

June 19, 2000

ADVO, INC. INTERROGATORIES TO VAL-PAK WITNESS HALDI

ADVO/VP/CW-T1-1. In Table A-2, you shift only your estimate of "heavy-weight letter" costs from ECR letters to ECR flats. In support of this shift, you indicate your belief (on page A-3) that the difference between witnesses Daniel's and Moeller's estimates of TYBR letter volume "ostensibly corresponds to the volume of heavy-weight ECR letters in the Test Year Before Rates" Although USPS LR's I-92 and I-102 show that there are also ECR "heavy-weight letter" volumes, you do not shift any of those volumes from ECR letters to ECR flats.

- (a) Please confirm that you believe the difference in witness Daniel's and Moeller's volume estimates is due to heavy-weight ECR letters. If this is incorrect, please explain your statement cited above.
- (b) Please explain fully why it is appropriate to shift the "heavy-weight letter" costs to ECR flats but not the corresponding "heavy-weight" letter volumes.
- (c) Please explain fully why it is appropriate to use the "heavy-weight letter" volumes with volumes and costs for letters below the 3.3 breakpoint in order to develop average cost or letters below the 3.3 breakpoint.

ADVO/VP/CW-T1-2. Please refer to Table A-1 of Appendix A. There, you use Standard A IOCS mail processing tallies to estimate the proportion of total ECR letter costs which you claim belongs to ECR flats. In that Table, you use the LR I-92 letter and flat volumes and costs. Since you admit that the tally data are less than ideal, why did you use these data rather than the explicit ECR letter and flat costs and volumes in LR I-92 to determine the proportion of total ECR letter costs that the IOCS allocates to "heavy-weight letters?"

ADVO/VP/CW-T1-3. On page A-3, you state:

Witness Daniel (USPS-T-28) estimates that Standard A ECR Mail will contain 13,127.962 million letters of all weights in Test Year Before Rates, while witness Moeller estimates the volume of letters below the 3.3 ounce breakpoint to be 10,799.400 million. The difference between witnesses Daniel and Moeller, 2,328.562 million letters, ostensibly corresponds to the volume of heavy-weight ECR letters in the Test Year Before Rates, and represents 17.7 percent of all ECR letters, which is almost 7 times greater than the estimate developed here, based on IOCS tallies for all Standard A Mail. (Footnote deleted)

You then estimate an amount of ECR letter cost which you state belongs to ECR flats.

- (a) Since witness Daniel's TYBR volumes and costs assume the BY98 mail mix while witness Moeller's volumes and costs have been adjusted for expected changes in mail mix, please explain why you believe that the full difference between witnesses Daniel's and Moeller's TYBR letter volumes is due strictly to ECR flats that have been mis-characterized as ECR "heavy-weight letters."
- (b) Please explain why you believe none of the difference between witnesses Daniel's and Moeller's TYBR letter volumes may be assumed to be due to DMM-defined parcel shapes.

ADVO/VP/CW-T1-4. A comparison of Witness Daniel's and Moeller's base year 1998 volumes (in thousands) is as follows:

	LR I-92 (Daniel)	LR I-66 (Moeller)
ECR Letters	13,295,273	12,943,927
ECR Non-Letters	20,763,854	21,115,200
ECR Parcels (from LR I-102)	48,083	48,083
Total ECR Volume	34,059,127	34,059,127
ECR Flats (Non-Letters less Parcels)	20,715,771	21,067,117

- (a) Please confirm that, if witness Moeller's BY RPW volumes are correct, then witness Daniel's ECR flat volumes are understated. If you cannot, please explain why not.
- (b) Please confirm that, if witness Moeller's BY RPW volumes are correct, then witness Daniel's ECR letter volumes are overstated. If you cannot, please explain why not.

ADVO/VP/CW-T1-5. On page A-9, you estimate that 1.0 percent of the total volume of ECR flats consists of letter-shaped pieces with DALs that are classified by the IOCS as ECR letters. In addition to the shift in "heavy-weight letter" cost, you also estimate the cost of that DAL-related letter volume and also shift it to ECR flats.

- (a) Please confirm that, because it is in addition to your "heavy-weight letter" cost adjustment, your DAL-related letter cost shift assumes that the DAL-related letter costs are for pieces weighting less than 3.3 ounces. If this is not correct, please explain fully.

- (b) Please provide all support for your estimate that 1.0 percent of total ECR flat volume consists of DAL-related letters weighing less than 3.3 ounces.
- (c) Given that the volumes in USPS LR I-92 reflect shape volume that corresponds to operational costs (processing category) rather than billing determinants, please explain fully why you believe that all the DAL-related letter volume is already included within the ECR flat volume used in LR I-92 and has been specifically excluded from the LR I-92 letter volumes.

ADVO/VP/CW-T1-6. On page 16 of your testimony, you state:

As no information is available concerning the presort condition of overweight letters, the adjustment to the letter-flat cost difference is distributed uniformly over Standard A ECR Basic, High-Density and Saturation presort categories.

If there were information available concerning the presort condition of overweight letters, how would you use it?

ADVO/VP/CW-T1-7. On page 27, Table 2, of your testimony, you propose a letter-flat differential of 0.9 cents at the ECR saturation level, which is a 95% passthrough of the letter-flat differential you show on page 18 and which you develop, in part, in Appendix A

- (a) Since your Appendix A addition of .466 cents to the letter-flat differential is not de-averaged by density level or dropship status, why do you believe it is appropriate to pass through so much of it?
- (b) Do you believe that your proposed letter-flat cost differential is entirely or at least 95% shape-related (as opposed to weight-related)? If so, please explain fully your basis for this belief. If not, please explain fully why you propose a passthrough that is greater than the shape-related portion of the cost differential.
- (c) Please confirm that, with your Appendix A adjustments, you believe the ECR costs by shape are sufficiently reliable to develop a proposed ECR rate schedule. If this is incorrect, please explain fully.

ADVO/VP/CW-T1-8. On page 46, you address contributions between subclasses and state that:

When the efficient component pricing principle for monopoly bottleneck pricing is applied, comparable products should have unit contributions that are roughly equal.

In previous testimony before this Commission, you have addressed contributions of products within a subclass.

- (a) Do you believe that comparable products within a subclass should have unit contributions that are roughly equal? Please explain fully.
- (b) Do you believe that the more competitive products within a subclass should have lower unit or percentage contribution than the less competitive products within a subclass? Please explain fully.

ADVO/VP/CW-T1-9. If you have performed analyses of the costs and contributions by products within ECR, either for the USPS proposed or for your own proposed ECR rate schedule, please provide them.